



ADC 355

**INVESTIGATION INTO THE ALLEGED DUMPING
AND COUNTERVEILING OF STEEL SHELVING**

**EXPORTED FROM THE PEOPLE'S REPUBLIC OF
CHINA**

VERIFICATION REPORT – EXPORTER

EASTERN DEER HARDWARE & PLASTICS CO. LTD.

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REFLECT THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

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1 BACKGROUND

On 4 July 2016, the Commissioner of the Anti-Dumping Commission gave public notice of his decision to initiate a dumping and countervailing investigation in respect of steel shelving exported to Australia from the People's Republic of China (China). The background relating to initiation of this investigation is contained in Consideration Report No. 355.

The Anti-Dumping Commission (the Commission) notified Eastern Deer Hardware and Plastics Co. Ltd (Eastern Deer) of the initiation of the investigation, and sought its cooperation through the completion of an Exporter Questionnaire regarding steel shelving.

Eastern Deer provided a complete response to the exporter questionnaire within the required timeframe. The information provided demonstrated that Eastern Deer exported steel shelving to Australia from China during the period 1 April 2015 to 31 March 2016 (the investigation period).

A verification team visited Eastern Deer's manufacturing facility located in Xiaolan Town, Zhongshan City, China in December 2016.

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the investigation period Eastern Deer exported steel shelving to Australia, including products that met the goods description. The goods exported to Australia by Eastern Deer included unassembled steel framed shelving or workbench units:

- with 1,2,3,4,5 or 6 shelves;
- the frames of which were either galvanised or partially or totally coated with paint or powder coated; and
- with various weight loadings per shelf, up to a maximum of 500kg.

Shelving or workbench units with 1 shelf do not meet the goods description and have accordingly been excluded from the calculation of Eastern Deer's preliminary dumping margin. This resulted in the exclusion of 5 models exported to Australia by Eastern Deer.

Industrial shelving exceeding a load bearing capacity of 200kg has been also excluded from the calculations. This resulted in the exclusion of 1 model exported to Australia by Eastern Deer.

2.2 Like goods sold on the domestic market

The verification team confirmed that Eastern Deer did not sell like goods in the domestic market during the investigation period.

2.3 Like goods – preliminary assessment

The verification team considers that Eastern Deer did not sell like goods, in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act),¹ in the market of the country of export.

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of Australian sales to audited financial statements

The verification team verified the completeness and relevance of Eastern Deer's Australian sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30. During this process the verification team identified sales to Australia of certain models within the sales listing that were not considered to be like goods. The verification team made an adjustment to the sales listing to exclude these models. The verification team did not identify any further issues.

Details of this verification process are contained in the verification work programme, and its relevant attachments, at **Confidential Attachment 1**.

3.2 Verification of Australian sales to source documents

The verification team verified the accuracy of Eastern Deer's Australian sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. During this process the verification team identified three issues that required adjustment to the Australian sales listing, relating to date of sale, exchange rate and payment terms. The verification team did not identify any further issues.

Details of this verification process are contained in the verification work programme, and its relevant attachments, at **Confidential Attachment 1**.

3.2.1 Date of sale

The verification team noted that Eastern Deer had identified sales to Australia during the investigation period based on the date of the VAT invoice provided by Eastern Deer to its export agent rather than the date of the commercial invoice issued to the Australian customer. Eastern Deer provided a revised Australian sales listing including all sales to Australia with a commercial invoice date issued to the Australian customer within the investigation period.

3.2.2 Exchange rate

The verification team noted within the Australian sales listing that Eastern Deer had applied exchange rates, where applicable, based on the end of month rate published by the Bank of China for the month in which the VAT invoice was issued by Eastern Deer to the export agent. The verification team amended the Australian sales listing to apply the exchange rate published by the Reserve Bank of Australia on the date of the commercial invoice issued to the Australian customer.

3.2.3 Payment terms

The verification team noted within the Australian sales listing that Eastern Deer had not identified the payment terms relevant to each Australian customer. The verification team further noted that once the payment terms had been identified, there was a significant difference between the payment terms disclosed on the commercial documents and the actual time taken for payment. To this end the verification team calculated the average

payment terms for each customer based on the sampled sales documents and amended the Australian sales listing to incorporate average payment terms for each customer.

3.3 The exporter

For all Australian export sales during the investigation period, the verification team considers Eastern Deer to be the exporter of the goods.¹

3.4 The importer

In relation to steel shelving exported to Australia by Eastern Deer the verification team considers that all customers listed in the Australian sales listing were the beneficial owners of the goods at the time of importation, and therefore were the 'importers' of the goods.

3.5 Related party customers

The verification team did not identify any Australian customers that were related to Eastern Deer, based on the relevant response to the Exporter Questionnaire, sales data and audited financial statements.

3.6 Arms length

In respect of all Australian sales of steel shelving made by Eastern Deer to customers during the investigation period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.²

The verification team therefore considers that all export sales to Australia made by Eastern Deer during the investigation period were arms length transactions.

3.7 Export price – preliminary assessment

The verification team is satisfied that the Australian sales listing is complete, relevant and accurate and can be used to determine the export price under subsection 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

¹ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

² Section 269TAA of the Act refers.

PUBLIC RECORD

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

4 COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of Eastern Deer's cost to make and sell (CTMS) spreadsheet by reconciling it to the company's audited financial statements in accordance with ADN No. 2016/30. During this process, the verification team identified one issue, as detailed in Section 4.1.1 below, requiring amendment to the CTMS spreadsheet. The verification team did not identify any further issues.

Details of this verification process are contained in the verification work programme, and its relevant attachments, at **Confidential Attachment 1**.

4.1.1 Medium Density Fibreboard (MDF)

The verification team noted that MDF used in the production of the goods had been classified as an "Auxiliary material" by Eastern Deer and had been allocated across all goods produced by Eastern Deer, whether those goods actually contained MDF or not.

Eastern Deer provided a revised CTMS spreadsheet reflecting the actual value of MDF consumed in the production of each model of the goods produced. The verification team reviewed the calculations underlying this revision and was satisfied that MDF costs were reasonably allocated.

4.2 Verification of costs to source documents

The verification team verified the accuracy of Eastern Deer's revised CTMS spreadsheet by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues during this process. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

4.3 Related party purchases

The verification team did not identify any suppliers that might be related to Eastern Deer, based on the company's response to the Exporter Questionnaire and documentation supplied for the purpose of verification.

4.4 Cost to make and sell – summary

Having verified Eastern Deer's' revised CTMS spreadsheet to its audited financial statements and to source documents, the verification team is satisfied that the revised CTMS spreadsheet is complete, relevant and accurate.

Eastern Deer's revised CTMS spreadsheet is at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

5.1 Sales of like goods

The verification team found no evidence that Eastern Deer sold like goods in the market of the country of export that would be relevant for the purpose of determining the normal value of the goods under subsection 269TAC(1).

Therefore, the verification team considers that the normal value should be determined under subsection 269TAC(2)(c), using the cost of production or manufacture of the goods in the country of export; and, on the assumption that the goods, instead of being exported, had been sold for home consumption in the ordinary course of trade in the country of export, the selling, general and administrative (SG&A) costs associated with such a sale and the profit on that sale.

For the purpose of constructing the normal value of the goods under subsection 269TAC(2)(c), the verification team considers that an amount for SG&A costs should be worked out under Regulation 44(3)(c), using any other reasonable method and having regard to all relevant information. The Commission has used Eastern Deer's actual verified total SG&A costs incurred during the investigation period.

Further, the verification team considers that an amount for profit should be worked out under Regulation 45(3)(c) of the *Customs (International Obligations) Regulation 2015* (the Regulations), using any other reasonable method and having regard to all relevant information. The rate of profit applied by the Commission is detailed in **Confidential Appendix 3**.

5.2 Verification of domestic sales to source documents

The verification team identified a single domestic sales transaction during the investigation period. The verification team obtained source documents in relation to this sale and was satisfied that the transaction did not involve the goods. The verification team was further satisfied that the value of this domestic transaction was immaterial when measured against the total value of Eastern Deer's sales.

Details of the verification process are contained in the verification work programme, and relevant attachments, at **Confidential Attachment 1**.

5.3 Domestic sales – summary

The verification team is satisfied that Eastern Deer did not sell like goods during the investigation period, and further that Eastern Deer did not have relevant sales of the same general category of goods in the domestic market to allow the calculation of profit under Regulation 45(3)(a).

6 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia, the verification team has considered the following adjustments in accordance with subsection 269TAC(9).

6.1 Export agent fees

The verification team considers that an upward adjustment for export agent fees is required, to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on weighted average export agent fee applicable to the investigation period.

6.2 Credit terms

The verification team considers that an upward adjustment for export credit is necessary to ensure a fair comparison to the FOB export price. The verification team has applied this adjustment based on the average number of payment days calculated for each customer. The average payment days were calculated using the sampled transactions and based on the days between the commercial invoice and the date payment was actually made.

6.3 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsection 269TAC(9) of the Act, and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices:

Adjustment Type	Deduction/addition
Export agent fees	Add expenses relating to export agent’s fees
Export credit	Add the cost of export credit.

The verification team’s preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 3**.

7 NORMAL VALUE

Given that Eastern Deer did not sell like goods in the market of the country of export, the verification team considers that the normal value of the goods cannot be ascertained under subsection 269TAC(1).

Therefore, the verification team considers that the normal value should be determined under subsection 269TAC(2)(c), using the cost of production or manufacture of the goods in the country of export; and, on the assumption that the goods, instead of being exported, had been sold for home consumption in the ordinary course of trade in the country of export, the SG&A costs associated with such a sale and the profit on that sale.

As required by subsections 269TAC(5A) and 269TAC(5B), the costs of production or manufacture, the SG&A costs and profit must be established in accordance with Regulations 43, 44 and 45 of the Regulations, respectively.

For the purpose of constructing the normal value of the goods under subsection 269TAC(2)(c), the verification team considers that amounts for SG&A and profit should be worked out under Regulation 44(3)(c) and Regulation 45(3)(c) respectively.

The verification team considers that certain adjustments, in accordance with subsection 269TAC(9), are necessary to ensure fair comparison of normal values with export prices, as outlined in section 6 of this report.

The verification team's preliminary normal value calculations are at **Confidential Appendix 3**.

8 DUMPING MARGIN

The dumping margin has been assessed by comparing the quarterly weighted average export prices to the corresponding quarterly weighted average normal values for the investigation period, in accordance with subsection 269TACB(2)(a).

Normal values were constructed under subsection 269TAC(2)(c) and, as required by subsections 269TAC(5A) and 269TAC(5B), in accordance with sections 43, 44 and 45 of the Regulations.

Subsection 43(2) of the Regulations requires that, if an exporter keeps records relating to the like goods which are in accordance with generally accepted accounting principles, and those records reasonably reflect competitive market costs associated with the production or manufacture of like goods, then the cost of production must be worked out using the exporter's records.

The Commission is currently assessing whether Chinese exporters' records reasonably reflect competitive market costs. At the current stage of the investigation the Commission has not taken a position on this matter. The normal values calculated in this report are therefore based on the application of verified cost to make and sell information.

On this basis, the preliminary dumping margin in respect of steel shelving exported to Australia by Eastern Deer for the investigation period is **negative 36.7% per cent**.

The preliminary dumping margin calculation is at **Confidential Appendix 4**.

9 SUBSIDIES

9.1 Preferential Tax Programs

In its response to the exporter questionnaire, Eastern Deer declared that it did not receive any government benefits under preferential tax programs.

The verification team found no evidence that Eastern Deer was in receipt of benefits under any preferential tax programs.

9.2 Grants and other assistance programs

In its response to the exporter questionnaire, Eastern Deer declared that it did not receive any government benefits under any assistance programs during the investigation period.

The verification team did not identify any payments received from any level of government in China during the investigation period.

9.3 Provision of inputs at less than adequate remuneration

9.3.1 Hot rolled coil steel and galvanised steel

Eastern Deer provided as part of the exporter questionnaire response Exhibit H3 – Steel Purchases, which detailed all of Eastern Deer’s purchases of both hot rolled coil and galvanised steel during the investigation period.

The verification team verified the completeness, relevance and accuracy of the information contained in this attachment. The verification team did not identify any issues during this process.

Exhibit H3 and associated documents are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

9.3.2 Electricity

Eastern Deer provided as part of the exporter questionnaire response Exhibit H4 – Electricity purchases which detailed all of Eastern Deer’s purchases of electricity during the investigation period. Eastern Deer further supplied information at the verification in relation to provincial pricing tariffs for the Guangdong province.

The verification team verified the completeness, relevance and accuracy of the information contained in Exhibit H4, as well as reviewing the additional information provided, and did not identify any evidence to indicate that Eastern Deer had paid less than market prices for electricity during the investigation period.

Exhibit H4 and associated documents are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

9.4 Countervailing – preliminary assessment

The verification team found no evidence that during the investigation period Eastern Deer was in receipt of:

- benefits under any preferential tax programs;
- government benefits or payments under any assistance programs from any level of government in China; or
- benefits from the supply of electricity at prices below competitive market costs.

10 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Australian export sales
Confidential Appendix 2	CTMS spreadsheet
Confidential Appendix 3	Normal value
Confidential Appendix 4	Dumping Margin
Confidential Attachment 1	Verification work programme, with attachments